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IN THE

Supreme Court of the United States.

OCTOBER TERM, 1930.

No. 179. October Term, 1930.

FARBWERKE VORMALS MEISTER LUCIUS & BRUNING, DEUTSCHE GOLD & SILBER SCHEIDE ANSTALT VORM. ROESSLER, and BADISCHE-ANILIN & SODA-FABRIK,
Petitioners,

against

CHEMICAL FOUNDATION, INC.; E. I. DUPONT DENEMOURS & CO., and WALTER O. WOODS, as Treasurer of the United States,
Respondents.

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BADISCHE-ANILIN & SODA-FABRIK,
Petitioner,

against

E. I. DUPONT DENEMOURS & CO., and WALTER O. WOODS, as Treasurer of the United States,
Respondents.

BRIEF ON BEHALF OF PLAINTIFF-RESPONDENT, THE CHEMICAL FOUNDATION, INC., IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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Statement.

While the Petition and brief of the Petitioners do not ostensibly attack the decree below in favor of the Chemical Foundation, their contentions, if sustained, would deprive it of one substantial, if relatively unimportant, part of the relief granted to it by those decrees. The Courts below held (Dist. Ct., R. 176-189, 29 F. (2nd) 597; Cir. Ct. of App., R. 251-263; Adv. Sh. 39 F. (2d) 366) that the Foundation was entitled to recover from the Dupont Company, the licensee, for all use and enjoyment of the licensed patents at all times, both before and after the patents were sold to it; that as the Foundation had, in its bill, limited the claim to compensation for use and enjoyment had after it had become the owner of the licensed patents, its recovery should be limited to that period; but that this limitation did not extend to the Foundation's rights in respect to the fund accumulated in the Treasury from the tentative royalty paid in by the licensee under the Act to secure payment of whatever decree might be rendered in the suit, the whole of which fund was held available to the Foundation as such security, whenever accrued. If the petitioners are right, the fund may be held to be security for claims in addition to those of the Foundation. Accordingly the Foundation is directly interested in sustaining the decree below.

Facts.

The statement of facts in the Petition requires some amplification. The license in question was issued to the Dupont Company by the Federal Trade Commission on January 21,

1918. As originally issued it required the licensee to pay to Alien Property Custodian a "royalty" of 5% of the net profits derived from the sale of products resulting from the licensed use (R. 29-34). This "royalty" did not, of course, purport to represent compensation to the owner of the patents for the value of the use, but was required by the express terms of Section 10 (d) of the Act to be paid and held as a trust fund for the joint benefit of the owner and the licensee, to secure whatever judgment might be rendered in a suit brought after the end of the war by the owner to recover compensation for such use. No payments were ever made by the licensee while the license stood in this original form, and it does not appear what, if any, use the licensee made of the patents during this period.

While the license remained as originally issued, the patents were seized by the Custodian. The instruments of seizure, effective February 3, 1919 and March 22, 1919 were in substantially identical form and seized not only the patents, but also

> "every right, title and interest with respect thereto, including all damages and profits recoverable at law or in equity from any person, firm, corporation or government, for past infringement thereof" (R. 99, 102, 104).

The patents and appurtenant rights thus seized, including as we contend and the Courts below held, the present rights of action, were conveyed on April 10th, 1919 to the Foundation. The original conveyance clearly covered all that had been seized (R. 106-110). It assigned

> "1. Each of the letters patent of the United States and applications for letters patent of the United States enumerated in Schedule A hereto annexed, together with all claims and demands for profits and damages recoverable at law or in equity for the past infringement of said letters patent * * * *All as more specifically described and set forth in the requirements or demands relating to said letters patent* * * * issued by said A. Mitchell Palmer, as Alien Property Custodian, or by me as Alien

> Property Custodian, *without any reservation or qualification whatsoever* * * * and subject only to the provisions of a certain release to the United States of America, bearing even date herewith, and to the rights of citizens of the United States or of friendly nations as set forth in the requirements or demands * * *" (Italics ours).

The Petition asserts that "neither the instruments of seizure (R. 98-105) nor the assignment (R. 106-110) expressly covered the accrued royalties". This statement, so far as it relates to the conveyance to the Foundation is, we submit, incorrect, since long before the right to bring the present suits accrued, the Custodian, by his confirmatory assignment of March 1st, 1921 expressly confirmed the conveyance of the rights of action as included in the original assignment, and re-conveyed them *de novo* (R. 120-124). This instrument was executed in pursuance of an executive order of President Wilson dated February 13, 1920 which recited that the intention of the earlier executive orders, under which the Custodian had made the sale, had been to authorize the sale of these rights of action, and then specifically authorized him to make and confirm such sales (R. 115-117).

Nearly a year after the sale to the Foundation, on January 14th, 1920, the Federal Trade Commission amended the license so as to make the security-royalty, payable thereunder, 2% of the gross instead of 5% of the net receipts from and after August 1st, 1919 (R. 35). Thereafter the Dupont Co., as licensee, paid, under these terms, the sum of $61,884.98 which its answer (R. 51-52) represents to be 2% of the gross amount received by it from August 1st, 1919 to September 1st 1920, when the Federal Trade Commission cancelled the license. This fund is still held in the Treasury as security to meet the judgments in suits brought by the "owner of the patents". Under the terms of the Act any part of it not needed for the purpose is to be returned to the licensee.

The bills of complaint of the three German plaintiffs assert that notwithstanding the seizures and sales, they are

the "owners of the patents" to whom the Act grants the right of action for use and enjoyment of the patents, whenever such use and enjoyment were had. They concede, however, that their claim must be limited to compensation for use before the sale (Petition, 3-4) and they do not question the Foundation's right to recover for use and enjoyment after the sale. The Foundation's bill claims compensation only for use after the sale; but its position is, and the lower Courts have held, that the right to compensation for all use was effectively seized, and was sold to it with the patents, and that its failure to claim the compensation for use prior to the sale is an intentional waiver, destructive of that right, which accordingly has ceased to exist in favor of any one. The Foundation has not, however, waived any part of the right to avail itself of the security-royalties on deposit for the benefit of the suing "owner", and as it is the only such owner who can now exist, it claims an exclusive right to the security of the whole fund. The Foundation also contends that the concession that the Foundation has the rights for the period after sale is a concession of the validity of the whole seizure, for both periods.

With these additions to the statement in the Petition of the facts and of the positions of the parties we present the following answers to the reasons offered by Petitioners for the grant of the writ.

I.

The Circuit Court of Appeals in holding that the seizure of the right to sue for use and enjoyment prior to the sale was effectively seized, did not render a decision contrary to the decisions of this Court relative to the law governing the assignment of patents.

The Petitioners' main contention on this point is that since this Court has frequently held that in a voluntary as-

signment between private parties phrases like "all right, title and interest *in*" the assigned patent do not include the right to sue for past infringement, the words of the seizure and of the original assignment in the case at bar cannot carry the right to sue for past use and enjoyment. It is argued that Section 7(c) of the Trading with the Enemy Act, in providing that a seizure of a patent "shall have the same force and effect as a duly executed * * * assignment to the Alien Property Custodian," limits the effect of an instrument of seizure to that of a private conveyance, and thus brings the present seizures within the authority of the decisions in question.

Both branches of this argument appear fallacious. In the first place the assumption that the clause which gives the Custodian's seizure "the same effect as" an ordinary assignment, means that it shall have *only* such effect, and no other, is both gratuitous and unsound. The obvious purpose of Section 7 (c) as a whole was to cause seizures to vest title in the Custodian in the most complete manner possible, and the first paragraph of the section fully accomplished that result. That paragraph provides that patents, etc. shall, if required, be conveyed to the Custodian, "or the same may be seized" by him. This is a plenary grant of the power to seize. The second paragraph of the section was evidently intended merely to provide for proper recordation of instruments of seizure, and the fact that it contained a clause, inserted out of extra caution, to make sure that the seizure should cover all that a private assignor could convey, shows, not an intention to limit the effect of the complete seizures previously provided for, but a design to make them all-embracing. The Act has uniformly been held entitled to liberal construction, and such a limiting effect could only be given, if at all, by the strictest possible method of interpretation.

But if the Act did mean to limit the effect of the language of a seizure to that of a private assignment, the cases referred to would not be applicable. None of the assignments discussed in these cases use the language appearing in the in-

struments of seizure which comprehends the patents involved and

> "every right, title and interest with respect thereto, including all damages and profits recoverable at law or in equity from any person, firm, corporation or government, for past infringement thereof."

This language is sufficiently broad to cover the rights in question for many reasons, a few of which will be noted.

(a) The words "and every right, title and interest with respect thereto" to be given any effect at all, must be held to include claims under Section 10 of the Act for past use and enjoyment of the patents, since every other conceivable interest in the subject was specifically covered either by the phrases which directly seized the patents themselves, or by those which seized the right to sue for past infringement. Effect should be given, if possible, to all parts and every clause of an instrument.

(b) These words are followed by the phrase "*including* all damages * * * for past infringement". The word "including" demonstrates that the preceding words were intended to have the broadest kind of meaning, inclusive of claims of every character.

(c) The language of Section 7 (c) as amended authorizing the seizure of patents and choses in action did not specifically designate by description the particular choses in action here involved. Yet the authority to seize the same is conceded, obviously because they were covered by the broad language used. The broad language used in the instrument of seizure should be given a like effect.

(d) The patent was not seized with rights, etc. "thereto" but with every right, title and interest "*with respect* thereto". Such phrases has been held to include references or relations exceedingly indirect. *People* v. *Clark,* 9 N. Y. 349; *Brett* v. *Rogers,* 1897, 1 Q. B. 525; *Tatam* v. *Reeve,* 1893, 1 Q. B. 44. See also *May* v. *Logan County,* 30 Fed. 250, and specially *May* v. *Saginaw County,* 32 Fed. 629, wherein the same in-

strument of conveyance referred to in *May* v. *Juneau County*, 30 Fed. 241, cited by the Petitioners was construed to the contrary. The Court in *May* v. *Saginaw County* also distinguishes the case of *Dibble* v. *Augur*, 7 Blatch. 86, likewise relied upon by the Petitioners.

As was said by the Circuit Court of Appeals in this case (R. p. 258):

> "Royalties are a very real 'interest' in, or in respect to, a patent and the right to recover royalties is a very real 'right.'"

But even if the language of our seizure had been identical with that in the cases relied on the latter would not apply. They are decisions interpreting the meaning of instruments executed by private persons in a business transaction. In such a case the court, as in the interpretation of all grants, seeks to give effect to the actual intention of the party who uses the language which it is interpreting and accordingly construes the granting language strictly, knowing that no grantor means to give up and no grantee expects to receive anything not plainly specified. Here, however, the court is interpreting, as the Circuit Court of Appeals clearly showed, an instrument of exactly the opposite character, expressing the intention of the seizor, which would naturally be as broad as possible. To the interpretation of such an instrument constructions applied to private grants afford no guide.

All this is unimportant in view of the fact that even if the right to sue for use and enjoyment was not specifically seized, it was still taken from the German plaintiffs and sold to the Foundation by the mere seizure and sale of the patents themselves. The statute grants the right to sue only to the "owner of the patent". This obviously, as the Courts below have held, means one who owns the patent at the time of suit, not one who used to own it. It cannot mean to grant, as the Petitioners would have it, separate rights of action, for different periods, to successive owners, since the Act requires that, in the suit, the whole future of the license be determined. As this is a matter in which

the owner of the patent at the time of suit is vitally interested, and one in which former owners have no interest whatever, the latter cannot have been intended as included within the grant. A seizure, identical in all essentials, was so construed in *Hicks* v. *Anchor Packing Co.*, 16 Fed. (2d) 723. This Court has itself treated the seizures and sales as valid and as including the rights in question. *U. S.* v. *Chemical Foundation*, 272 U. S. 1, 9-10, 15-16.

II.

The Courts below did not erroneously determine important questions of federal law.

As regards the correctness of the decision below to the effect that the German plaintiffs were not the "owners of the patents" within the meaning of the Act; that the 1928 Amendment could not be construed in such manner as to vest or revest in them any right of actions; and that if so construed, the amendment was invalid, we believe that the opinion of the Circuit Court of Appeals fully answers all the criticisms in the Petitioners brief.

As regards the importance of the questions at issue, the following considerations suggest themselves.

No matter of general or public interest is involved. The time to bring suits under Section 10 having expired many years ago, no one in the future can ever find himself in a position in which the law on this subject will control his rights. No one is now interested except the litigants in the suits now before the courts. The question of the constitutionally of the 1928 Amendment is of still less public interest. It affects only the handful of persons, who having, as enemies, owned patents which have been seized and sold by the Custodian, have nevertheless sued under Section 10 for use and enjoyment. It affects the claims of these only for use and enjoyment of the patents prior to sale; and whether or not

there is a single instance in which substantial use of any sold patent took place within that period is not made to appear. The whole dispute is, so far as concerns the future administration of the law of the land, a matter of ancient history. It involves only the private financial interests of a few individuals, who, we submit, have stated no reason which should lead this Court to conclude that the unanimous decisions of the Courts below ought to be reviewed.

Respectfully submitted,

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